

## ORDER no. 182 of 30 December 2015

For approval of Methodology for establishing the unitary income for the regulated supply activity carried out in a regulatory year and approval of regulated prices in natural gas sector as of the year 2016

**ISSUER:** ROMANIAN ENERGY REGULATORY AUTHORITY

**PUBLISHED IN:** OFFICIAL GAZETTE no. 4 of 5 January 2016

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**This updated form is valid since 5 January 2016 until selected date**

Whereas the provisions of art. 179 para. (1), para. (2) let. b), para. (4) and (5) of Electricity and natural gas Law no. [123/2012](#), further amended and supplemented,

By virtue of provisions of art. 5 para. (1) let. b) and [art. 10 para. \(1\) let. l\) of Government Emergency Ordinance no. 33/2007](#) for organization and functioning of National Energy Regulatory Authority approved as amended and supplemented by [Law no. 160/2012](#),

The president of National Energy Regulatory Authority issues this order.

### ART. 1

We approve the Methodology for determination of unitary income for the regulated supply activity, carried out in a regulatory year and approval of regulated prices in natural gas sector, since 2016, provided in the annex which is part of this order.

### ART. 2

On the date of coming into force of this order we repeal the [Order of president of National Energy Regulatory Authority no. 7/2015](#) for the approval of Methodology for determination of regulated unitary incomes and total unitary incomes for the regulated supply activity and approval of regulated prices in natural gas sector for the year 2015, published in Official Gazette of Romania, Part I, no. 121 of 17 February 2015.

### ART. 3

The National Energy Regulatory Authority and holders of licenses for supply of natural gas will fulfil the provisions of this order.

### ART. 4

This order is published in Official Gazette of Romania, Part I and applies since 1<sup>st</sup> January 2016.

President of National Energy Regulatory Authority  
Niculae Havrileț

Bucharest, 30 December 2015.  
No. 182.

## ANNEX

### METHODOLOGY

For determination of unitary income related to  
Regulated supply activity carried out in a regulatory year  
and approval of regulated prices in natural gas sector, since 2016

## Chapter I

### SECTION 1

General principles

#### ART. 1

(1) This methodology regulates the method of substantiation and establishment of unitary income and approval of regulated prices in natural gas sector, in which the regulated supply of natural gas is made in a year from the fourth regulatory period since 2016.

(2) The regulated supply made by the supplier of last resort at regulated price and based on the framework contracts for domestic consumers, according to specific regulations elaborated by the National Energy Regulatory Authority, hereinafter referred to as ANRE, does not make the object of this methodology.

(3) The annual determination of unitary income and approval of regulated prices, set out by paragraph(1) is made based on the formulas and parameters set out by this methodology.

#### ART. 2

(1) The regulatory period represents the interval during which ANRE regulates every year the income which a license holder is entitled to earn for carrying out the regulated supply of natural gas activity, hereinafter referred to as income [V(fr)], at the level of coverage of justified costs, incurred in a prudent manner and a reasonable rate of return for invested capital.

(2) The fourth regulatory period starts on 1<sup>st</sup> January 2016 and ends on the date of elimination of regulated prices for domestic consumers, according to the legal provisions.

(3) For the licensed operators after the date of publication of this methodology, the regulatory period starts from the start date of regulated activity and ends on the date of elimination of regulated prices for domestic consumers.

(4) In view of establishing and approving the unitary income for the regulated supply activity, carried out in the first year, the operators mentioned in paragraph (3) will transmit the related documentation with the submission of necessary documents for obtaining the supply licenses.

#### ART. 3

(1) The determination and approval of unitary income since 2016 will be made since 1 April of each year, based on the data and information transmitted by the holders of license for supply of natural gas, according to the principles of this methodology.

(2) For the non-licensed holders, the determination and approval of unitary income will be made when the supply licenses are obtained.

## 2<sup>nd</sup> SECTION

Regulated supply of natural gas

#### ART. 4

(1) The regulated supply of natural gas represents the commercial activity of sale of natural gas to domestic consumers who did not exercise the eligibility right and designates the assembly of activities and operations carried out by the holder of supply license for or in connection with:

a) conclusion of contracts for acquisition of natural gas designed for assuring the regulated supply of natural gas, conclusion and carrying out of regulated framework contracts regarding the transport, storage and distribution services and the balancing actions of national transport system (SNT);

- b) sale of natural gas to domestic consumers, based on supply framework contracts and at regulated price;
- c) relations with domestic consumers, determined by the conclusion and carrying out of regulated supply contracts;
- d) information of customers, according to the legislation in force;
- e) invoicing of natural gas consumption.

(2) For the domestic consumers who do not sign a sales agreement of natural gas with clauses and negotiated price and choose to remain party in a commercial contract signed based on the framework contract for regulated supply of natural gas, the supply will be made at the prices regulated by ANRE, according to this methodology.

## CAP. II

### SECTION 1

Income related to a regulatory year, since 2016, for the holders of supply license

#### ART. 5

(1) The income related to one regulatory year represents the income recognized and permitted by ANRE to a license holder for covering the necessary costs for carrying out the supply activity regulated in that year, estimated at the level of costs justified and incurred in a prudent manner in the previous regulatory year and a reasonable rate of return for invested capital.

(2) The incomes unearned or earned in addition in year 2015 will be quantified and recovered, respectively assigned since 2016. The period and method of recovery or assignment will be established by mutual agreement with each operator. Unless it is agreed by mutual agreement, ANRE has the right to decide.

(3) The income related to a regulatory year, permitted for carrying out the regulated supply activity is established as follows:

a) for the year 2016:

$$V(\text{fr}(2016)\text{permitted}) = [C(\text{fr}(2015)) + \text{RoR}(\text{fr}) \times (\text{RAB}(\text{fr}(2015)) + \text{CLP}(2015))] + \text{DeltaC}(\text{fr}(2015)) + (\text{VU}(\text{fr}(2015)) * Q((2015)\text{ estimated}) - \text{VU}(\text{fr}(2014))) * Q(\text{incurred quarter I (2015)}) - \text{VU}(\text{fr}(2015)) * Q(\text{incurred quarter II-IV (2015)})),$$

where:

V(fr(2016)permitted) – the income permitted in 2016 for carrying out the regulated supply of natural gas;

C(fr(2015)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply of natural gas activity in the year 2015, according to the accounting records of data transmission date;

RoR(fr) – regulated rate of return, approved by ANRE for the regulated supply of natural gas;

RAB(fr(2015)) – the regulated value left of assets commissioned until 31<sup>st</sup> December 2015, the assets for carrying out the regulated supply activity in the year 2015;

CLP(2015) – working capital necessary for the license holder for carrying out the current activity for the year 2015, calculated according to the information from the data transmission date;

DeltaC(fr(2015)) – the difference between the costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in the year 2015, according to the accounting records from data transmission date and the costs permitted and included in the unitary income approved for the year 2015; component Delta C(fr(2015)) is granted to the license holders if the growth of number of domestic consumers was mainly determined by the process of taking over the isolated customers and/or following the perfection of new concession contracts of public distribution service of natural gas in the distribution area served as licensed operator of distribution system or for delimited areas where the affiliated company holds license for distribution of natural gas;

VU(fr(2015)) – unitary income permitted in the year 2015 for carrying out the regulated supply activity of natural gas;

Q((2015) estimated) – quantity of natural gas estimated to be supplied in regulated regime in the year 2015;

VU(fr(2014)) – the unitary income permitted in the year 2014 for carrying out the regulated supply activity of natural gas;

Q(incurred quarter I (2015)) – the quantity of natural gas supplied in regulated regime in the 1<sup>st</sup> quarter of the year 2015;

Q(incurred quarter II-IV (2015)) – quantity of natural gas supplied in regulated regime in quarters II, III and IV of the year 2015;

b) for the year 2017:

$$V(\text{fr}(2017)\text{ permitted}) = [C(\text{fr}(2016)) + \text{RoR}(\text{fr}) \times (\text{RAB}(\text{fr}(2016)) + \text{CLP}(2016))] + ([C(\text{fr}(2015)\text{ incurred}) + \text{RoR}(\text{fr}) \times (\text{RAB}(\text{fr}(2015)\text{ incurred}) + \text{CLP}((2015)\text{ incurred}))] + \text{DeltaC}(\text{fr}(2015)\text{ incurred}) + [(VU(\text{fr}(2015)) * Q((2015)\text{ estimated}) - VU(\text{fr}(2014)) * Q(\text{incurred quarter I (2015)}) - VU(\text{fr}(2015)) * Q(\text{incurred quarter II-IV (2015)}))] - V(\text{fr}(2016))),$$

where:

V(fr(2017)) permitted – income permitted in the year 2017 for carrying out the activity of regulated supply of natural gas;

C(fr(2016)) - costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply of natural gas in the year 2016, according to the accounting records of data transmission date;

RAB(fr(2016)) – regulated value left of assets commissioned until 31 December 2016, assets for the carrying out of supply activity regulated in 2016;

CLP(2016) – working capital necessary for the license holder for carrying out the current activity for the year 2016, calculated according to the information from data transmission date;

C(fr(2015) incurred) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply of natural gas activity in the year 2015, according to the accounting regulated records;

DeltaC(fr(2015) incurred) – difference between the costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in the year 2015, according to the regulated accounting Records and costs permitted and included in the unitary income approved for the year 2015;

RAB(fr(2015) incurred) - regulated value left of assets commissioned until 31 December 2015, assets related to the supply activity regulated in the year 2015, according to the regulated accounting records;

CLP((2015)incurred) – working capital necessary for the license holder for carrying out the current activity for the year 2015, incurred;

V(fr(2016)) – income earned in 2016 for carrying out the regulated supply activity of natural gas according to accounting records of the data transmission date;

c) Since 2018 and for each regulatory year, until the elimination of regulated prices for domestic consumers:

$$V(\text{fr}(j)\text{ permitted}) = [C(\text{fr}(j-1)) + \text{RoR}(\text{fr}) \times (\text{RAB}(\text{fr}(j-1)) + \text{CLP}(j-1))] + (V(\text{fr}(j-1)\text{ permitted}) - [C(\text{fr}(j-2)) + \text{RoR}(\text{fr}) \times (\text{RAB}(\text{fr}(j-2)) + \text{CLP}(j-2))] + [C(\text{fr}(j-2)\text{ incurred}) + \text{RoR}(\text{fr}) \times (\text{RAB}(\text{fr}(j-2)\text{ incurred}) + \text{CLP}((j-2)\text{ incurred}))] - V(\text{fr}(j-1))) + (V(\text{fr}(j-2)) - V(\text{fr}(j-2)\text{ incurred})),$$

where:

$j \geq 2018$

V(fr(j) permitted) – income permitted in year j of regulation for carrying out the regulated supply of natural gas activity;

C(fr(j-1)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply of natural gas in year j-1, according to the accounting records of data transmission date;

RAB(fr(j-1)) – regulated value left of assets commissioned until 31 December of year j-1, assets for carrying out the activity of regulated supply in the year j-1;

CLP((j-1)) – working capital necessary for the license holder for carrying out the current activity for the year j-1;

C(fr(j-2)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in the year j-2, according to accounting records of data transmission date;

RAB(fr(j-2)) – regulated value left of assets commissioned until 31 December of the year j-2, assets for carrying out the regulated supply activity in year j-2;  
 CLP(j-2) – working capital necessary for the license holder for carrying out the current activity for the year j-2;  
 C(fr (j-2) incurred) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in the year j-2, according to the regulated accounting records;  
 RAB(fr(j-2) incurred) – regulated value left of assets commissioned until 31 December of the year j-2, assets related to the carrying out of regulated supply activity in the year j-2, according to the regulated accounting records;  
 CLP((j-2) incurred) – working capital necessary for the license holder for carrying out the current activity for the year j-2, incurred;  
 V(fr(j-1)) – income earned in the year j-1 for carrying out the regulated supply activity of natural gas according to the accounting records of data transmission date;  
 V(fr(j-2)) – income earned in the year j-2 for carrying out the regulated supply activity of natural gas, according to accounting records of data transmission date;  
 V(fr (j-2) earned) – income earned in the year j-2 for carrying out the regulated supply activity of natural gas, according to the regulated accounting records.

## SECTION 2

The income for one regulatory year, since 2016, for new license holders

### ART. 6

For new license holders, the costs recognized and permitted by ANRE are the estimated costs justified by the license holder for carrying out the regulated supply activity of natural gas in year k of regulation in a prudent manner.

### ART. 7

(1) Costs justified for determination of unitary income applicable at the start of regulated supply activity of natural gas are represented by the estimated costs by the licensed operator as necessary for carrying out the regulated activity for the whole calendar year.

(2) The income for one regulatory year permitted for carrying out the regulated supply activity, for the newly licensed holders is established as follows:  
 a) for the first regulatory year:

$$V(fr(k) \text{ permitted}) = [C(fr(k) \text{ estimated}) + RoR(fr) \times (RAB(fr(k) \text{ init}) + CLP((k) \text{ estimated}))],$$

Where:

(k) – the first regulatory year,  $k \geq 2016$ ;

V(fr(k) permitted) – income permitted in year k of regulation for carrying out the regulated supply of natural gas activity;

C(fr(k) estimated) – estimated costs, recognized and permitted by ANRE to the new license holder for carrying out the regulated supply activity of natural gas in year k of regulation;

RAB(fr(k) init) – net book value of assets commissioned until year k of regulation, at the date of establishing the income, assets for carrying out the regulated supply activity in year k;

CLP((k) estimated) – working capital necessary for the license holder for carrying out the current activity for the year k of regulation, estimated;

b) for the second year of regulation:

$$V(fr(k+1) \text{ permitted}) = [C(fr(k)) + RoR(fr) \times (RAB(fr(k)) + CLP(k))]/ \text{number\_months\_activity}(k) * 12 + ([C(fr(k)) + RoR(fr) \times (RAB(fr(k)) + CLP(k))] - V(fr(k))),$$

where:

V(fr(k+1) permitted) – income permitted in year k+1 for carrying out the regulated supply activity of natural gas;

C(fr(k)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in year k, according to the accounting records of data transmission date;

RAB(fr(k)) – regulated value of assets commissioned until 31 December of the year k, assets for carrying out the regulated supply activity in the year k;

CLP(k) – working capital necessary for the license holder for carrying out the current activity for the year k;

number\_months\_activity(k) – the number of months from year k in which the operator carried out the regulated supply activity;

V(fr(k)) – income earned in the year k for carrying out the regulated supply activity of natural gas, according to the accounting records of data transmission day;

c) for the third regulatory year:

$$V(fr(k+2) \text{ permitted}) = [C(fr(k+1)) + RoR(fr) \times (RAB(fr(k+1)) + CLP(k+1))] + (V(fr(k+1) \text{ permitted}) - [C(fr(k)) + RoR(fr) \times (RAB(fr(k)) + CLP(k))]/ \text{nr\_luni\_activitate}(k) * 12 + [C(fr(k) \text{ realizat}) + RoR(fr) \times (RAB(fr(k) \text{ incurred}) + CLP((k) \text{ incurred}))]/ \text{nr\_luni\_activitate}(k) * 12 - V(fr(k+1))]) + [V(fr(k)) - V(fr(k) \text{ earned})],$$

where:

V(fr(k+2) permitted) – income permitted in year k+2 for carrying out the regulated supply activity of natural gas;

C(fr(k+1)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in year k + 1, according to the accounting records of data transmission day;

RAB(fr(k+1)) – regulated value of assets commissioned until 31 December of the year k + 1, assets for carrying out the regulated supply activity in the year k + 1;

CLP(k+1) – working capital necessary for the license holder for carrying out the current activity for the year k + 1;

C(fr(k) incurred) – costs incurred by the license holder for carrying out the regulated supply activity of natural gas in the year k, according to the regulated accounting records;

RAB(fr(k) incurred) – regulated value of assets commissioned until 31 December of year k, assets for carrying out the regulated supply activity in the year k, according to the regulated accounting records;

CLP((k) incurred) – working capital necessary for the license holder for carrying out the current activity for the year k, incurred;

V(fr(k+1)) – income earned in year k+1 for carrying out the regulated supply activity of natural gas, according to accounting records of data transmission day;

V(fr(k) earned) – income earned in year k from carrying out the regulated supply activity of natural gas, according to the regulated accounting records;

d) since the fourth year and for each regulatory year, until the elimination of regulated prices for domestic consumers:

$$V(fr(j) \text{ permitted}) = [C(fr(j-1)) + RoR(fr) \times (RAB(fr(j-1)) + CLP(j-1))] + (V(fr(j-1) \text{ permitted}) - [C(fr(j-2)) + RoR(fr) \times (RAB(fr(j-2)) + CLP(j-2))] + [C(fr(j-2) \text{ incurred}) + RoR(fr) \times (RAB(fr(j-2) \text{ incurred}) + CLP((j-2) \text{ incurred}))] - V(fr(j-1))) + (V(fr(j-2)) - V(fr(j-2) \text{ earned})),$$

Where:

$j \geq k + 3$

V(fr(j) permitted) – income permitted in year j of regulation for carrying out the regulated supply activity of natural gas;

C(fr(j-1)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in year j-1, according to accounting records of data transmission day;

RAB(fr(j-1)) – regulated value of assets commissioned until 31 December of the year j-1, assets for carrying out the regulated supply activity in the year j-1;

CLP(j-1) – working capital necessary for the license holder for carrying out the current activity for the year j-1;

C(fr(j-2)) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in the year j-2, according to the accounting records of data transmission day;

RAB(fr(j-2)) – regulated value of assets commissioned until 31 December of year j-2, assets for carrying out the regulated supply activity in year j-2;

CLP(j-2) – working capital necessary for the license holder for carrying out the current activity for the year j-2;

C(fr(j-2)incurred) – costs incurred in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas in the year j-2, according to the regulated accounting records;

RAB(fr(j-2)incurred) – regulated value of assets commissioned until 31 December of year j-2, assets for carrying out the regulated supply activity in the year j-2, according to the regulated accounting records;

CLP((j-2)incurred) – working capital necessary for the license holder for carrying out the current activity for the year j-2, incurred;

V(fr(j-1)) – income earned in the year j-1 for carrying out the regulated supply of natural gas, according to the accounting records of data transmission day;

V(fr(j-2)) – income earned in the year j-2 for carrying out the regulated supply of natural gas, according to accounting records of data transmission day;

V(fr(j-2)earned) – income earned in the year j-2 from carrying out the regulated supply activity of natural gas, according to the regulated accounting records.

### SECTION 3

Unitary income for a regulatory year, since 2016

#### ART. 8

(1) If the correction component induces a significant change of level of income permitted, ANRE can decide to schedule the recovery/assignment of difference for a period higher than one year.

(2) The correction component related to a regulatory year represents the supplementary elements to the costs incurred in the previous year in a prudent manner, recognized and permitted by ANRE to the license holder for carrying out the regulated supply activity of natural gas, according to the accounting records of data transmission day, costs used in determination of income.

#### ART. 9

(1) For carrying out the regulated supply activity, the income is regulated for the coverage of justified costs for one year of regulatory period, incurred in a prudent manner, hereinafter referred to as unitary income (VU(fr)).

(2) The unitary income for one regulatory year, permitted for carrying out the regulated supply activity, is determined for each holder of license for supply of natural gas, by division of income related to the regulated supply activity in that year by the total estimated quantity to be supplied in regulated regime in the same year, by the following formula:

$VU(fr(i) \text{ permitted}) = V(fr(i) \text{ permitted})/Q(fr(i))$  [lei/MWh],

where:

$i \geq 2016$

VU(fr(i) permitted) – unitary income permitted in year i of regulation for carrying out the regulated supply activity of natural gas;

V(fr(i) permitted) – income permitted in year i of regulation for carrying out the regulated supply activity of natural gas;

Q(fr(i)) – quantity of natural gas estimated to be supplied in regulated regime in year I of regulation.

(3) The quantity of natural gas estimated to be supplied in regulated regime is substantiated by the licensed operator. The forecast for estimated quantities and its substantiation are forwarded to ANRE with the forwarding of documents for establishment of unitary income for each regulatory year. The reasons underlying the substantiation and the forecast methods used are presented to ANRE with the forecasts.

(4) ANRE has the right to ask for motivations or to propose the review of forecasts forwarded.

### SECTION 4

Allocation and justification of costs

#### ART. 10

The allocation of costs between the regulated activities of license holder will be made with observance of obligations specific to legislation in force in natural gas sector.

#### ART. 11

(1) The holders of supply license have the obligation that at forwarding of costs incurred/estimated to be made, in view of recognition in the incomes for regulated supply activity they justify that they were or are prudent costs.

(2) We consider prudent costs the costs which are proven to be necessary, opportune, efficient and which reflect the market conditions as follows:

- necessary – objective need of holder of supply license to incur a cost in view of assuring the continuity in supply of natural gas;
- opportune – postponement of cost would produce prejudices to the operator and/or customer;
- efficient – realization of cost could bring future benefits to the operator and customer;
- market conditions – cost incurred by the operator is related to the best market conditions, that exist at incurring date and according to the Romanian legislation in force.

### SECTION 5

Justified costs for carrying out the regulated supply activity of natural gas

#### ART. 12

(1) Justified costs generated by the carrying out of regulated supply of natural gas, as defined by art. 4 paragraph (1), are considered the following expenses according to the legal regulations in force:

- expenses with raw materials, consumables, fuel, non-stored materials, including inventory items;
- expenses with energy and water;
- expenses with maintenance and repairs, according to the legal provisions in force;
- expenses with advertising and publicity;
- other expenses with services executed by third parties;
- postal expenses and taxes for communications, banking services and similar services;
- expenses with compulsory insurance premiums, according to the legal provisions in force;
- expenses with travels;
- expenses with leasing and rents, incurred in prudent manner; for these categories of expenses we will transmit the list of documents (contracts, invoices, account sheets etc.);
- expenses with staff - salaries, bonuses and other rights given according to the legal provisions in force;
- expenses which cannot be controlled and on which the management of the license holder cannot act directly for increasing the efficiency of activity carried out, hereinafter referred to as costs directly taken up which represent:
  - Contributions to social security fund, unemployment fund and health insurances, for the salary fund;
  - Taxes and duties established according to the legislation in force;
  - justified costs and expenses for the amounts unrecovered, for the regulated supply of natural gas, which represent commercial receivables which could not be recovered for objective reasons (death, final court judgment);
  - expenses with regulated amortization of tangible and intangible assets commissioned until 31 December of the previous year and used in the regulated supply activity for the current license holders;

n) expenses with the regulated amortization of tangible and intangible assets commissioned until the date of establishing the income and used in the regulated supply activity, for the newly licensed holders;

o) commercial discounts for justified costs for carrying out the regulated supply activity of natural gas, as provided by letters a)-g).

(2) We assure a rate of return for invested capital according to the legal provisions.

(3) The invested capital represents the regulated value left after the deduction of regulated amortization of assets commissioned, for the carrying out of regulated supply activity, to which we add the working capital.

(4) Working capital for the regulated supply activity refers to the capital necessary for the license holder for carrying out the current activity in regulatory period for an average period of 30 calendar days and is determined as the 12<sup>th</sup> part of the value of costs with acquisition of natural gas, including the related services for the resale in the regulated supply activity, exclusive of VAT.

(5) The costs permitted for substantiation year will be evaluated and accepted by ANRE taking into account the analysis of the following elements:

a) costs recorded in the previous ani;

b) evolution of cost elements (materials, salaries, energy, services etc.), by sector and by whole economy;

c) increasing the work productivity and efficiency of activity of holder of supply license;

d) expenses incurred by other regulated supply operators in the previous ani, in similar conditions;

e) evolution of economic financial indicators incurred by the supply operators in the previous ani.

## SECTION 6

### Criteria for rejection of costs

#### ART. 13

(1) The analysis of justified costs is made based on the statements presented to ANRE by the holders of supply license regarding the costs of the previous year to substantiation year for carrying out the regulated supply activity of natural gas.

(2) The costs will be transmitted in detail as annexes, in letter format and electronic format - "Regulated Accounting Records".

(3) For the regulated supply activity they will transmit in addition, in the format set out by annex no. 3 regarding the costs generated by the carrying out of regulated supply activity, as defined by art. 12 paragraph (1), and their allocation by activities as provided by article 4 para. (1).

(4) With the transmission of data for substantiation of unitary income for one regulatory year they will forward the report of accounting separation of regulated activities, according to the legal provisions in force, structured by:

a) regulated activities by sector detailed by:

(i) activities and operations carried out by the holder of supply license;

(ii) other regulated activities from the sector;

b) non-regulated activities from the sector;

c) activities from outside the sector.

#### ART. 14

ANRE has the right to request the holders of supply license further information, including details and justification of any elements from the statements presented.

#### ART. 15

(1) The costs forwarded by the license holders for the recognition in unitary incomes will not include the categories which are not considered related to the regulated supply activity respectively:

a) fines, penalties and delay penalties for non-payment in time of obligations to the state budget, the social security budget, special funds, local budgets and other expenses associated to the listed ones;

b) penalties, increases and/or delay damages for non-repayment in time of loans and other expenses associated to the listed ones;

c) expenses with indemnification, penalties or such other, which result from the performance standard and other expenses associated to the listed ones;

d) penalties, delay penalties in payment and/or damages for non-observance of contractual clauses;

e) expenses with donations and subsidies granted;

f) non-depreciated value of tangible and intangible assets, discarded or assigned to third parties or to non-regulated activities of the holder of supply license;

g) provisions of any kind;

h) expenses of the nature of tangible and intangible assets which are not financed for own sources;

i) expenses with compensatory payments given to employees on the occasion of cessation of individual employment contract or the work relation, without being based on a restructuring programme or reorganization plan of the company approved by the management of the license holder, unless the employees retire;

j) expenses with salaries, indemnities, compensatory amounts given according to the law, on the occasion of cessation of employment contract, work relation or mandate, to the employees with management positions and persons who are appointed as members of boards of directors and management boards, except for salaries or compensatory amounts given to employees in management positions on retirement occasion according to the provisions of collective employment contract and when there is a restructuring programme approved;

k) Expenses with covered and reusable materials;

l) expenses form funds and non-refundable loans, from state aids or from other entity, from inventory pluses and such other expenses from non-refundable sources;

m) expenses from the amounts owed to the Romanian state, to the natural and/or legal persons under the form of dividends to which they waived;

n) any court costs and other similar costs;

o) expenses with assets discarded or assigned and other capital operations;

p) non-cashed amounts by the license holder, incurred as operating expenses, which represent losses from receivables and sundry debtors, removed from patrimonial records, except for those provided by art. 12 paragraph (1) let. k);

q) the value or part of it related to tangible/intangible assets for which the company receives rent;

r) advances, tangible and intangible assets under execution;

s) financial assets;

t) commissions from the acquisition contracts of natural gas from domestic production;

u) commissions and interests related to loans for investments made for carrying out the regulated supply activity.

(2) For the assets which are not related to the regulated supply activity are not recognized as expenses with amortization.

#### ART. 16

ANRE has the right to refuse the license holders the recognition of costs or parts of them other than those mentioned previously, for which it was not justified that they were generated from the carrying out of regulated supply activity and incurred in a prudent manner, according to the provisions of art. 11 paragraph (2).

## SECTION 7

### Rules for the calculation of regulated assets base (RAB)

#### ART. 17

RAB reflects the capital costs for the tangible and intangible assets prudently incurred, necessary for the carrying out of regulated supply activity.

#### ART. 18

For the newly licensed holders, the initial value of RAB(fr (k) init) used in the calculation of income for the first year of regulation is determined based on the value of tangible and intangible assets commissioned and used in the carrying out of regulated supply activity.

#### ART. 19

(1) The value of RAB(fr(2015)) for the current license holders, used in determination of unitary income permitted for the year 2016, is determined by the following formula:

$$\text{RAB(fr (2015))} = \text{RAB(fr (2014))*y\%} - \text{YAR(fr (2015))} + \text{INV(fr (2015))} - \text{IE(fr (2015))},$$

where:

RAB(fr (2014)) – regulated value left of assets for carrying out the regulated supply activity in the year 2014, commissioned until 31 December 2014, calculated by the following formula:

$$\text{RAB(fr (2014))} = \text{RAB(fr(3))} - \text{YAR(fr (3))} + \text{YINV(fr (3))} - \text{YIE(fr (3))}$$

RAB(fr (2015)) – regulated value left of assets for the carrying out of regulated supply activity in the year 2015, commissioned until 31 December 2015, assets related to the carrying out of regulated supply activity in the year 2015;

RAB(fr(3)) – the value of RAB at the beginning of the third regulatory period;

YAR(fr (3)) – regulated amortization cumulated in the third regulatory period;

YINV(fr (3)) – regulated cumulated value of investments commissioned in the third regulatory period, reflected in ECR; the cumulated value is calculated by summing up the value of annual investments;

YIE(fr (3)) – regulated cumulated value left, for the tangible and intangible assets decommissioned in the third regulatory period;

y% - average weight of tangible and intangible assets for the carrying out of regulated supply activity, for domestic consumers, in total regulated value left on 31 December 2014, which quantifies the passage of non-domestic consumers on free competition market since 1 January 2015;

YAR(fr (2015)) – amortization regulated in the year 2015;

INV(fr (2015)) – regulated value of investments made and commissioned in the year 2015;

IE(fr (2015)) – regulated value for tangible and intangible assets decommissioned in the year 2015.

The term YAR(3) represents the cumulated value of regulated amortization in the third regulatory period and includes:

- amortization calculated based on value of RAB at the beginning of the third regulatory period;

- amortization for tangible/intangible assets commissioned during the third regulatory period.

(2) The value RAB(fr (i)) on 31 December of the year i, used in the calculation of income regulated for the year i+1 of regulation, since 2016, is determined by the following formula:

$$\text{RAB(fr (i))} = \text{RAB(fr (i-1))} + \text{INV(fr(i))} - \text{AR(fr(i))} - \text{IE(fr(i))},$$

where:

$i \geq 2016$

RAB(fr(i)) – the value of RAB for year i of the fourth regulatory period;

RAB(fr(i-1)) – value of RAB on 31 December of the year i-1;

INV(fr(i)) – regulated value of investments commissioned in the year i, according to accounting records of data transmission day;

AR(fr(i)) – regulated amortization for the year i;

IE(fr(i)) – regulated value of tangible and intangible assets decommissioned in the year i, according to accounting records of data transmission day;

(3) In determination of RAB for the regulated supply activity, as mentioned in paragraphs (1) and (2), we will envisage the Supplementary Rules for determination of RAB for the regulated supply activity, set out in annex no. 5.

### SECTION 8

Regulated amortization of regulated assets base (RAB)

#### ART. 20

(1) The tangible and intangible assets included in RAB are depreciated according to the following rules:

a) value of tangible and intangible assets, which are subject to amortization in regulated regime, is resulted from the application of calculation methods of RAB;

b) the amortization method used is the straight-line;

c) for tangible and intangible assets commissioned after the beginning of the first regulatory period, the amortization is calculated by dividing their regulated value by the regulated amortization periods.

(2) The regulated amortization periods of tangible and intangible assets commissioned after the beginning of the first regulatory period are provided in annex no. 4.

### CHAPTER III

#### SECTION 1

Regulated accounting records

#### ART. 21

The license holders must keep in the internal accounting system separate accounting records by types of activities carried out and for each of the regulated activities called "Regulated Accounting Records» (ECR), according to the legal provisions in force.

#### ART. 22

(1) ANRE has the right to demand on own expense a separate audit of ECR, the license holder is obliged to assure the auditor chosen by ANRE access to all the data, records and necessary information.

(2) A copy of the report drawn up by the auditor is transmitted by ANRE to the license holder.

#### SECTION 2

Regulated rate of return on capital

#### ART. 23

Regulated rate of return on capital (RoR) is determined for each activity and reflects the capital costs involved by the realization of regulated activity in a prudent manner, having in view the current conditions of capital market.

#### ART. 24

(1) RoR is established in real terms, before the calculation of profit tax. Its calculation starts from the average weighted cost of capital (WACC), determined in nominal terms, after the profit tax.

(2) The formula used by ANRE, by which WACC (calculated in nominal terms after profit tax) is turned into RoR (established in real terms, before taxation) assures the full recovery of invested capital.

(3) The transformation of nominal, post-tax WACC, into real, pre-tax RoR, is made by the following formula:

\*T\*

$$\text{RoR} = \frac{1 + \text{WACC}}{1 + \text{pi}} - 1, \\ (1 - T)$$

\*ST\*

where:

RoR – regulated rate of return on capital, provided in the formula for unitary income for the regulated supply activity;

WACC – average weighted costs of capital determined in nominal terms, after taxation;

pi – average inflation rate in regulatory period;

T – rate of profit tax in regulatory period.

(4) Until the approval of a discounted value for the regulated supply activity, the value RoR is approved for the third regulatory period, respectively 8.43%.

## CHAPTER IV

### SECTION 1

The procedure for establishing the unitary income for the regulated supply activity, carried out in one regulatory year, and approval of regulated prices in the natural gas sector since 2016

#### ART. 25

The unitary income permitted for one regulatory year is approved by order of President of ANRE, for each license holder who carries out the regulated supply activity.

#### ART. 26

(1) The license holders who carry out the regulated supply activity forward to ANRE the documentation for establishing the unitary income for the regulatory year until the 1<sup>st</sup> February of that year.

(2) The newly licensed holders forward to ANRE to documentation for establishing the income for regulatory year with the submission of documents necessary for obtaining the supply licenses.

(3) If the forwarded documentation is incomplete, ANRE will request its completion within 5 working days from submission date, the operators have the obligation to answer within 5 working days from the date of request reception. In the analysis and calculation period, for the purpose of correcting, clarifying or justifying the documents forwarded, ANRE has the right to request any information and documents, and the operators have the obligation to answer within maximum 5 working days. The issues for which information and documents were requested will not be taken into account if the operators do not answer the requests of ANRE.

#### ART. 27

The documentation regarding the establishment of unitary income for one regulatory year mainly refers to:

a) information about:

1. the number of customers and quantities of natural gas supplied in regulated regime in the previous year, except for the newly licensed holders;

2. the quantities estimated to be supplied in regulated regime in regulatory year, according to art. 9 paragraph (3);

3. structure of customers with presentation of characteristics specific to each category (annual consumption, number of customers etc.) for the regulatory year;

b) costs incurred in the previous year for carrying out the regulated supply activity of natural gas, according to the provisions of art. 12, except for the newly licensed holders who will transmit the estimated costs necessary for the carrying out of regulated supply activity of natural gas in regulatory year;

c) list of services agreements and companies with which they were signed, for the carrying out of regulated supply activity, with indication of the contract period and contract values by each contract; in addition, for all contracts, including if the Parties belong to the same group, they will prove the prudence of costs and the method of separation in the group;

d) the accounting separation report of activities in the first year of the fourth regulatory period;

e) proposal of license holder regarding the unitary income regulated for supply activity.

#### ART. 28

(1) Based on documentation and the proposals forwarded, after the analysis conducted, the specialized department from ANRE draws up a report with the proposals for establishing the unitary income for the regulatory year and for establishing the regulated prices.

(2) The report provided by paragraph (1) is communicated to the operator in view of issuing an opinion.

#### ART. 29

The specialized department forwards to the Regulatory Committee as applicable the following:

1. the report and/or approval report containing the proposals for establishing:

a) the unitary income for the regulatory year;

b) element DeltaCUG(fr), according to the provisions of art. 35 paragraph (7);

c) elements E(fr) și E(SNT), according to the provisions of art. 35 paragraph (7);

d) element CUG(fr), according to art. 36;

e) regulated prices;

2. the opinion regarding the report mentioned in point 1, expressed by the holder of supply license.

#### ART. 30

(1) Based on the approval by the Regulatory Committee of the report and/or approval report provided by art. 29, in the form proposed or with the changes and/or supplements approved in the meeting, the president of ANRE issues the order for:

a) unitary income for regulatory year; and/or

b) approval of regulated prices.

(2) The order of the President ANRE set out by paragraph (1) is published in the Official Gazette of Romania, Part I.

(3) The report approved by the Regulatory Committee, set out by paragraph (1), is communicated to the licensed operator within 3 working days from the day of the meeting of Regulatory Committee.

#### ART. 31

(1) If the report and/or approval report set out by art. 29 were not approved, within 3 working days from the day of the meeting of the Regulatory Committee in which they were debated and based on the information made available by its secretariat, the specialized department has the obligation to communicate to the licensed operator the decision of the Regulatory Committee regarding the rejection/postponement of report and/or approval report, accompanied by the motivation of decision.

(2) Within 30 working days from the communication by the secretariat of Regulatory Committee of the decision for rejection/postponement or from reception of supplementary data required to operators, the specialized department will draw up a new report and/or approval report as applicable, if the Regulatory Committee did not establish another deadline in this period.

### SECTION 2

Common provisions

#### ART. 32

(1) In case of merger with another licensed operator or division of a licensed operator, until the approval of the new unitary income permitted to the license holder for supply of natural gas, the last unitary income approved will remain in force as well as the regulated prices if no other element changes in their composition.

(2) If the licensed operator does not transmit with the other holders of supply license, the requests of establishing the unitary income, since 2016, for various reasons, he can make a request to ANRE, accompanied by an explanatory note which contains the justification of not transmitting the data on time. If

after the analysis by the specialized department, ANRE considers the request and the explanatory note founded, the licensed operator will forward the data according to the provisions of this methodology.

(3) For the operators who transmit the data according to this methodology, but who do not answer the requests of ANRE regarding the correction, clarification, completion or justification of the documents forwarded, in the deadlines provided by this methodology or answer wrongly or incompletely, the establishment and approval of unitary incomes will be made within 60 days from the reception of all documents requested.

(4) For the operators who do not transmit data according to this methodology, ANRE has the right to change the incomes approved and the regulated prices with the prior announcement of the licensed operator.

(5) If a licensed operator notes that there are differences between the data transmitted for establishing the unitary income and the regulated prices practiced, which can generate additional incomes higher by minimum 7% than those permitted for that year, he has the obligation to transmit to ANRE the request of change of prices.

#### ART. 33

(1) ANRE changes the regulated prices with the prior announcement of licensed operator, if any component of the regulated price structure as set out by article 35 paragraph (7) changes according to the provisions of this methodology.

(2) ANRE can change the incomes approved and the regulated prices with the prior announcement of the licensed operator and based on the provisions of this methodology if it is noted that:

- a) their established was based on wrong or false information supplied by the licensed operator;
- b) there are significant errors of calculation in the establishment of regulated prices and unitary incomes for the regulated supply activity.

#### ART. 34

The change of approved incomes and regulated prices according to art. 33 paragraph (2) involves first of all measures for correction of effects of incomes and prices established, respectively the correction of wrong or false information, recalculation and approval of the new incomes and regulated prices which will be applied by the license holder in question.

### CHAPTER V

#### SECTION 1

##### Regulated prices

#### ART. 35

(1) The regulated prices represent the prices at which we make the regulated supply for a quantity of natural gas with energy content equivalent to 1 MWh, natural gas which are in standard conditions of pressure, temperature and quality, provided in the regulations for measuring the quantities of natural gas traded in Romania, approved by ANRE.

(2) The regulated prices are established differently for each holder of supply license, for the whole distribution area served as licensed operator of the distribution system or for the delimited areas where the affiliated company holds license for distribution of natural gas, depending on the realization of legal separation process of regulated activities, as applicable, respectively until the finalization of calendar for liberalization of prices of natural gas or until the exit from regulation.

(3) The categories of customers for which regulated prices are established, provided in annex no. 1, are updated in correlation with the regulations from the natural gas sector drawn up later, according to the provisions of legislation in force.

(4) The regulated prices at which we make the regulated supply of natural gas cover the justified costs involved by the assurance with natural gas of the domestic consumer, which does not exert the rights which result from the capacity of eligible customer and chooses to sign a supply contract in regulated regime.

(5) The regulated prices cover both the costs with purchase and sale of natural gas as merchandise in itself, the costs with the carrying out of regulated supply activity and all the costs with the transport, storage and distribution services and the costs with the imbalances generated by customers who benefit from the regulated supply of natural gas, according to the legal provisions in force, incurred in a prudent manner, necessary for the natural gas to reach domestic consumer from the supplier.

(6) The regulated prices do not include excise duties and VAT.

(7) The regulated prices have the following structure:

- a) for the customers directly connected to the transport system:

\*T\*

$$P(i)x = CUG(fr) + VU(fr(i)permitted x) + E(fr(i)x) + E(SNT(i)x) + DeltaCUG(fr)$$

\*ST\*

- b) for the customers connected in distribution system:

\*T\*

\*Font 9\*

$$P(i)x = CUG(fr) + VU(fr(i)permitted x) + Td(i)x + E(fr(i)x) + E(SNT(i)x) + DeltaCUG(fr),$$

\*ST\*

where:

$P(i)x$  – price regulated in the year  $i$ , for category " $x$ " of customers;

$CUG(fr)$  – fixed unitary amount for covering the annual costs or the costs of a period established according to the legal provisions in force, estimated for acquisition of natural gas, including related services, for the resale in the regulated supply activity;

$VU(fr(i)permitted x)$  – the unitary unitary income permitted in the year  $i$  of regulation, for carrying out the regulated supply activity of natural gas, established compared to the quantity supplied to category " $x$ " of customers;

$E(fr(i)x)$  – the difference between the price paid for natural gas necessary for daily balancing and the price established by Government Decision, weighted by the related quantities, difference allotted in year  $(i)$ , for category " $x$ " of customers of the supply license holder who recorded justified imbalances on the natural gas market, only for the activity of supply of natural gas at regulated price.

The value of this component on 1 April 2016 is zero.

The formula for the calculation of the difference between the paid price for natural gas necessary for daily balancing, made by the license holder and the price established by Government Decision is as follows:

\*T\*

365

$$E(fr) = \sum_{z=1}^Y (P(z) - P(HG)) * q(z) ,$$

\*ST\*



where:

P(z) – the price paid by the license holder for supply of natural gas necessary for daily balancing;

P(HG) – the price established by Government Decision;

q(z) – quantity of natural gas purchased by the supply license holder, on day z, for balancing actions.

The suppliers who do not have the capacity of grid users, but who have in portfolio domestic consumers in view of covering the imbalance caused to suppliers of natural gas who are the users of the grid will be determined the differences between the price paid for the natural gas necessary for daily balancing and the price paid by Government Decision, weighted by the related quantities, only for the activity of supply of natural gas at regulated price;

Td(i)x) – the distribution fee applied in year (i), for the category "x" of customers;

E(SNT(i)x) – neutrality component of balancing activity carried out by the transmission system operator (OTS), which represents the unitary amount resulted from the allocation in year (i), for the category "x" of customers of supplier who recorded justified imbalances on the natural gas market only for the activity of supply of natural gas at regulated price, of expenses/incomes for the balancing actions made by OTS.

The value of this component on 1<sup>st</sup> April 2016 is zero.

The expenses/incomes resulted from the balancing activity, which are transferred to domestic consumers by regulated price component will be determined according to the regulations approved by ANRE, taking into account the following analysis stages:

a) methods of recovery/assignment by the transmission system operator from/to the grid user;

b) presentation by the grid user/supplier with action on regulated market, of analyses which include:

(i) causes which led to imbalances and implicitly to the payment by supplier of these imbalances (for example, differences between nominalization and allocation, generated among other by increase/decrease of consumption compared to the initial estimates, according to the consumption profiles/programmes etc.);

(ii) the actions carried out by the supplier for balancing the portfolio;

(iii) determination of weight of financial responsibility for the payment of imbalances for suppliers and end customers, respectively regulated and non-regulated customers;

c) presentation by the transmission system operator, every month of the statement of imbalances induced by the grid user and the actions carried out by each grid user for balancing the portfolio;

d) presentation by the grid user who has in portfolio license holders who assure the supply of natural gas to domestic consumers, of the monthly statement of imbalances induced by each supplier and the actions carried out by the supplier for balancing the portfolio.

As a result of the transfer of expenses/incomes from the balancing activity from the grid user to the suppliers who do not have the capacity of grid users and who have in portfolio domestic consumers, the imbalance component will be determined according to the regulations approved by ANRE, taking into account the analyses presented in view of determining their values;

DeltaCUG(fr) – the unitary correction component for the difference between the fixed unitary amount recognized by ANRE for covering the costs with the acquisition of natural gas, including the regulated services, for resale in the regulated supply activity in the year i-1, and the unitary costs effectively incurred and recognized by ANRE to the operator who makes the regulated supply for that year; component DeltaCUG(fr) can be recalculated every quarter/semester/year in the year i, by adding the differences for each quarter of the year;

In the component DeltaCUG(fr), for the natural gas from domestic production extracted from the underground storage deposits for the minimum stock for the regulated segment, the acquisition prices for domestic consumers are recognized and established by the legal provisions in force from the period of injection cycle, to which we add the fees for provision of underground storage services approved by ANRE.

According to the legal regulations in force we add the financing costs as follows:

\*T\*

$$P(ds(int)) = (P(int) + RC(ds) + I(ds)) * (1 + \frac{RoR(fr)}{2}) + E(ds),$$

\*ST\*

where:

P(ds(int)) – the price of natural gas from the underground storage deposits expressed in lei/MWh;

P(int) – the acquisition price of natural gas from domestic production for regulated market, for each category of customers, according to the legal provisions in force, expressed in lei/MWh;

RC(ds) – fixed component for reservation of capacity in underground deposit expressed in lei/MWh/full storage cycle;

I(ds) – volumetric component for injection of natural gas in underground deposit, expressed in lei/MWh;

RoR(fr) – regulated rate of return, recognized by ANRE for the regulated supply of natural gas for the year 2015;

E(ds) – volumetric component for extraction of natural gas from underground deposit, expressed in lei/MWh.

## SECTION 2

Fixed unitary amount for covering the acquisition costs of natural gas for domestic consumers

### ART. 36

The fixed unitary amount - CUG(fr) for covering the acquisition costs of natural gas, including the related services for the resale in the regulated supply activity is determined by ANRE, every year or for another period according to the legal provisions in force. The quantities taken into account are exclusively for the supply in regulated regime.

### ART. 37

(1) The fixed unitary amount for covering the costs with the acquisition of natural gas CUG(fr) is estimated based on the following elements:

a) estimation regarding the demand of domestic consumers for the regulated supply activity;

b) estimation regarding the structure of natural gas sources from domestic production and from import, necessary for the coverage of demand of domestic consumers;

c) estimation regarding the part of natural gas quantities designed for resale in the regulated supply activity, which will be transmitted and/or stored and extracted;

d) the minimum stock level according to regulations of ANRE;

e) estimate regarding the evolution of acquisition prices of natural gas from current import;

f) the average import prices resulted from the conclusion and carrying out of bilateral agreements and average prices resulted from the trading of natural gas on centralized market of natural gas;

g) domestic prices according to the legal provisions in force for regulated market;

h) average import prices recorded or estimated on other relevant markets of European Union;

i) estimate regarding the evolution of average fees for the transmission and underground storage services;

(2) The fixed unitary amount for covering the costs with acquisition of natural gas does not include excise duties, which are calculated and written distinctly on the fiscal invoice, according to the legal provisions in force.

(3) Estimates regarding the structure of natural gas sources from domestic production and from import, which are at the basis of estimate of fixed unitary amount for coverage of costs with acquisition of natural gas, mentioned in paragraph (1) let. b), are drawn up by ANRE for domestic consumers.

### ART. 38

(1) The general formula for calculation of the fixed unitary amount for coverage of the costs with acquisition of natural gas, for resale in the regulated supply activity is the following:

\*T\*

$$CUG(fr) = \frac{Q(fr(imp)) * P(imp) + Q(fr(int)) * P(int)}{Q(fr(imp)) + Q(fr(int))} + T(t),$$

\*ST\*

where:

Q(fr(imp)) – estimate regarding the quarterly/semestrial/annual quantity of natural gas from import designed for supply in regulated regime;

P(imp) – estimate regarding the evolution of acquisition price of natural gas at import;

Q(fr(int)) – estimate regarding the quarterly/semestrial/annual quantity of natural gas from domestic production for supply in regulated regime;

P(int) – estimate regarding the evolution of acquisition price of natural gas from domestic production;

T(t) – estimate regarding the evolution of average unitary cost for transmission services according to transmission fees in force.

(2) The quantities of natural gas Q(fr(imp)) and Q(fr(int)) are the quantities which will be supplied in regulated regime.

(3) the costs of natural gas from the current internal production and the costs of natural gas from internal production extracted from the storage deposits as merchandise are included in the calculation of fixed unitary amount, in the general costs of acquisition of natural gas from domestic production.

(4) The costs of natural gas from current import are recognized in the calculation of fixed unitary amount, in the general costs of acquisition of natural gas from import.

[ART. 39](#)

The general formula for calculation of CUG(fr), defined by art. 38, is determined as follows:

a) cost of natural gas from import:

\*T\*

$$Q(fr(imp)) * P(imp) = \sum_{v=1}^r [q(v)fr(imp) * p(v)(imp)],$$

\*ST\*

where:

q(v)fr(imp) – quantity of natural gas estimated to be purchased from import;

p(v)(imp) – unitary estimated price expressed in lei/MWh, for each quantity q(v)fr(imp), respectively the acquisition prices for natural gas from current import;

The unitary price of import taken into account in determination of cost of natural gas from import is considered in DAP ("delivered at place") delivery conditions with all taxes and customs commissions, and the commission of importer included.

The cost of transmission on external route and any other taxes, other legal obligations and/or other costs of any kind, involved in this transmission are considered included in the import price.

The cost of transmission on internal route and any other taxes, other legal obligations and/or other costs of any kind, involved in this transmission, are not considered included in the unitary price p(v)(imp);

b) cost of natural gas from domestic production:

\*T\*

$$Q(fr(int)) * P(int) = \sum_{w=1}^r [q(w)fr(int) * p(w)(int)],$$

\*ST\*

where:

q(w)fr(int) – quantity of natural gas estimated to be purchased from domestic production, which comes from contract (w), for regulated supply, either being delivered directly to users as far as the producers inject them in the national transmission/distribution system, or being extracted from an underground storage deposit in which it was stored prior to delivery;

p(w)(int) – unitary price expressed in lei/MWh, for each quantity q(w)fr(int), respectively:

- the acquisition prices for natural gas from current domestic production, used for covering the consumption on the market, at the level of those established by legal provisions in force;

- acquisition prices for natural gas from domestic production, extracted from the underground storage deposits for the minimum stock for the regulated segment, which represent the acquisition prices for domestic consumers, as established by the legal provisions in force, from the period of injection cycle, to which are added the fees for the provision of underground storage services approved by ANRE.

According to the legal regulations in force, the financing costs are added as follows:

\*T\*

$$P(ds(int)) = (P(int) + RC(ds) + I(ds)) * \left(1 + \frac{RoR(fr)}{2}\right) + E(ds),$$

\*ST\*

where:

P(ds(int)) – price of natural gas from the underground storage deposits, expressed in lei/MWh;

P(int) – acquisition price of natural gas from domestic production for regulated market, for each category of customers, according to the legal provisions in force, expressed in lei/MWh;

RC(ds) – fixed component for reservation of capacity in the underground deposit, expressed in lei/MWh/full storage cycle;

I(ds) – volumetric component for injection of natural gas in underground deposit, expressed in lei/MWh;

E(ds) – volumetric component for extraction of natural gas from underground deposit, expressed in lei/MWh.

The cost of transmission in and/or between the exploitation perimeters and any other taxes, other legal obligations and/or other costs of any kind, involved by this transmission, including the drying, treatment and/or compression of natural gas and/or any other operations made by the producer for or in connection with their production and delivery to the exit tap from the station/measuring panel of producer are considered included in the price.

The cost of transmission from the station/measuring panel of producer to the exit tap from the adjustment-measuring/delivery station to customer or to the distribution system operator and any other taxes, other legal obligations and/or other costs of any kind involved in this transmission are not considered included in the unitary price p(w)(int);

c) cost of transmission of natural gas for the supply in regulated regime:

T(t) – average cost for transmission services, expressed in lei/MWh, estimated based on the transmission fees in force, transmission contracts, reserved capacities and transmitted quantities, including the costs of transmission of natural gas from the entry/exit points in/from SNT at the underground storage points.

[ART. 40](#)

(1) The fixed unitary amount for covering the costs with acquisition of natural gas for the regulated supply activity, CUG(fr), is determined every year or for another period according to the legal provisions in force.

(2) If there are significant differences between the new component CUG(fr) calculated according to the provisions of paragraph (1) and the component included in the regulated prices in force, the regulated prices shall be updated accordingly.

## CHAPTER VI

### SECTION 1

#### Invoicing

#### ART. 41

The countervalue of regulated supply activity provided to a domestic consumer is invoiced every month and is determined by the following formula:

\*T\*

$$VTf = P * Q,$$

\*ST\*

where:

VTf – total value of invoice, exclusive of VAT or other taxes according to the legal provisions in force, which represents the countervalue of regulated supply activity, expressed in lei;

P – regulated price, expressed in lei/kWh;

Q – quantity supplied in regulated regime, expressed in kWh.

### SECTION 2

#### Final provisions

#### ART. 42

The categories of customers for which different regulated prices are established are provided in annex no. 1.

#### ART. 43

The terms used in this methodology are provided in annex no. 2.

#### ART. 44

The costs generated by the carrying out of regulated supply activity are provided in annex no. 3.

#### ART. 45

The regulated durations for amortization of tangible and intangible assets are provided in annex no. 4.

#### ART. 46

The supplementary rules for the determination of regulated assets base (RAB), for the regulated supply activity, are provided in annex no. 5.

#### ART. 47

Annexes no. 1-5 are parts of this methodology.

## ANNEX 1

To methodology

### CATEGORIES OF CUSTOMERS

For which regulated prices are established distinctly

A. Customers directly connected to the transmission system:

A.1. customers with an annual consumption up to 1.162,78 MWh;

A.2. customers with an annual consumption between 1.162,79 MWh and 11.627,78 MWh;

A.3. customers with an annual consumption between 11.627,79 MWh and 116.277,79 MWh;

A.4. customers with an annual consumption between 116.277,80 MWh and 1.162.777,87 MWh;

A.5. customers with an annual consumption of over 1.162.777,87 MWh.

B. Customers connected to distribution system:

B.1. customers with an annual consumption up to 23,25 MWh;

B.2. customers with an annual consumption between 23,26 MWh and 116,28 MWh;

B.3. customers with an annual consumption between 116,29 MWh and 1.162,78 MWh;

B.4. customers with an annual consumption between 1.162,79 MWh and 11.627,78 MWh;

B.5. customers with an annual consumption between 11.627,79 MWh and 116.277,79 MWh;

B.6. customers with an annual consumption of over 116.277,79 MWh.

## ANNEX 2

To methodology

### TERMS USED

1. regulatory year – regulation year which represents a calendar year for which ANRE regulates the income which a license holder is entitled to earn for carrying out the regulated supply activity in a prudent manner, at the level of covering the justified costs for that year;

2. quantity supplied – total quantity of natural gas sold to the end customers based on supply contracts;

3. end customer – customer who buys natural gas for own use;

4. domestic consumer – customer who buys natural gas for own household consumption;

5. supply of natural gas – commercial activity of sale of natural gas;

6. supplier – natural or legal person who makes the activity of supply of natural gas;

7. license – individual administrative act issued by ANRE, granted to a natural or legal person for exercise of a right and execution of obligations;

8. economic operator from the natural gas sector – natural or legal person, except for end customers, who carries out at least one of the following activities: production, transmission, distribution, supply, administration of centralized market, purchase or storage of natural gas, including GNL, and who has commercial, technical and/or maintenance assignments for those activities;

9. regulated price – the price at which the supply of natural gas is made based on a framework contract, service quality standards and/or specific conditions established by the competent authority.

## ANNEX 3

To methodology



-	Total (1-15)	-	-	-	-	-	-	-
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\*ST\*

NOTE:

The column "Accounts" will be completed with number of account/synthetical/analytical accounts.  
You will also present the list of analytical accounts with their names.

**ANNEX 4**

To methodology

**REGULATED DURATIONS**

For amortization of tangible and intangible assets

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I. The technical and economic duration for regulated amortization of  
Tangible and intangible assets which represented  
RAB implicitly at the beginning of the first regulatory period,  
For the regulated supply activity 25 years

II. Technical and economic duration of tangible and intangible assets commissioned after the start of the first regulatory period:

**Group 1 Constructions**

Subgroup 1.1 Buildings	50 years
Subgroup 1.2 Light constructions (barracks, sheds etc.)	10 years
Subgroup 1.3 Collecting pipes and main pipes (including technological installations, equipment and related equipment)	40 years
Subgroup 1.4 Probes for injection/extraction of natural gas From underground deposits (including auxiliary probes, technological installations, equipment and related equipment)	25 years
Subgroup 1.5 Steel distribution pipes (including technological installations, equipment and related equipment)	30 years
Subgroup 1.6 Polyethylene distribution pipes (including technological installations, equipment and related equipment)	40 years
Subgroup 1.7 Other constructions	10 years

Group 2 Technological equipment, machinery and work equipment 10 years

**Group 3 Measuring, control and adjustment devices and installations**

Subgroup 3.1 Volumetric meters with membrane, ultrasound meters, other systems with deprimogenic element	20 years
Subgroup 3.2 Meters with rotational pistons, meters with turbine	15 years
Subgroup 3.3 Electronic converters, flow calculators, Other measuring, control and adjustment devices and installations	10 years

Group 4 Means of transport 5 years

Group 5 Other tangible and intangible assets 5 years

Group 6 Lands

\*ST\*

**ANNEX 5**

To methodology

**SUPPLEMENTARY RULES**

regarding the determination of regulated assets base (RAB)  
for regulated supply activity

**ART. 1**

(1) The calculation of RAB for the regulated supply activity on 31 December 2014 is made starting from the initial value of the third regulatory period 2013-2014.

(2) The regulated values of tangible/intangible assets entered/exited in the other years of the second regulatory period (2008-2012) are corrected only in justified situations, if it is noted that the determination of RAB for the third regulatory period was made based on wrong/false information supplied by the licensed operator or calculation errors were detected.

**ART. 2**

(1) The value of RAB at the end of the year 2014 is determined starting from the value at the beginning of the third regulatory period, corrected according to art. 1, from which we deduct the cumulated value of regulated amortization, calculated for the third regulatory period, the regulated value remained cumulated for the tangible and intangible assets decommissioned in the third regulatory period and we add the regulated cumulated value of investments commissioned in the third regulatory period, recognized by ANRE.

(2) For the year 2015, the value of RAB at the end of year is determined based on the formula provided in methodology in art. 19 paragraph (1), starting from the value at the end of year 2014, only for the tangible and intangible assets allotted to the regulated supply activity to the domestic consumers, from which we deduct the value of regulated amortization for the year 2015, the regulated value left of tangible and intangible assets decommissioned in the year 2015 and we add the regulated value of investments commissioned in the year 2015, recognized by ANRE.

**ART. 3**

We will not consider entries of tangible/intangible assets and we will not take into account in the calculation of value of regulated assets base the tangible/intangible assets for which the company did not pay a financial equivalent, the inventory pluses, tangible/intangible assets for which the company receives rent, the lands collected by concession contracts, which are not depreciated in accounting, re-evaluations, and any values which in the substantiation of incomes was included in the category of operational costs, but in accounting it was recorded as tangible/intangible asset.

**ART. 4**

(1) We consider exits of tangible/intangible assets the tangible/intangible assets which were part of initial value of RAB or which entered during the regulatory periods.

(2) For the licensed operators for which the value RAB 0 was determined by RAB method implicitly, it will be corrected only by the exits of sales of fixed assets and by transfer to other activities.

(3) The tangible/intangible assets subject to a sale operation, discarding or transfer in the category of inventory items or to other activities are considered exits of tangible/intangible assets of the period.

(4) The regulated value left related to an exit of tangible/intangible assets in a regulatory year since 2016, is equal to the regulated value left on 31 December 2015 reduced by the cumulated value of regulated amortization until the exit year.

**ART. 5**

If a certain tangible/intangible asset was used in the carrying out of a non-regulated activity, from the sector or from outside the sector, and during one regulatory year starts to be used for/ for the carrying out of regulated activity, it will be reported as new entry at book value left and the duration of regulated amortization of the group/subgroup of which it is part will be reduced by the book time of use consumed, expressed in full years, without fractions of year.

**ART. 6**

(1) If some tangible/intangible assets were included in other groups/subgroups than those reported and taken into account in the adjustment of regulated incomes, those assets will be taken into account in the calculation of value of RAB first as an exit from group/Subgroup in which they were initially reported, at the regulated value left, and then as a new entry in the reconsidered group/Subgroup at the same regulated value left. Any reconsideration of the group/subgroup of integration of plant assets will be justified and the tangible/intangible assets will be presented both in the statement of regulated assets base and detailed in a different statement from RAB.

(2) If the regulated period of amortization for the new group/subgroup is higher than the regulated period of consumed amortization, the regulated value left mentioned in paragraph (1) will be recovered for a period calculated by the difference between the two periods.

(3) If the regulated period of amortization related to the new group/subgroup is lower or equal to the regulated period of consumed amortization, the regulated value left mentioned in paragraph (1) will be recovered for the regulated period of amortization for the new group/subgroup.

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